

Volunteer Quality Alert (VQA) 2005-02

Subject: – Tax Treatment of Cash Contributions for Tsunami Relief

Please forward this Alert to your partners and volunteers.

Volunteer tax preparers may use this information as a job aid when assisting taxpayers wishing to deduct charitable contributions for the relief of victims of the tsunami.

Issue:

New law enacted on January 7, 2005, allows taxpayers who itemize deductions to claim on their 2004 tax return cash contributions (which includes donations made by cash, check or credit card) made during January 2005 for the relief of the victims of the tsunami. The law allows these donations to be deducted as if they were made on December 31, 2004.

Considerations for volunteer return preparers:

The new law does not place any additional burden on taxpayers. To deduct contributions, the taxpayer must file Form 1040 and itemize deduction on Form 1040, Schedule A, Itemized Deductions.

Current rules and limitations for charitable contribution deductions apply. See page 170 of Publication 17 for specific information about claiming deductions for charitable contributions.

Taxpayer considerations:

Taxpayers who elect to take the deduction on their 2004 return should annotate their records to avoid taking the deduction on their 2005 return.

Taxpayers must maintain the required written acknowledgement of claimed contributions of \$250 or more in their tax records.

The contributions must be made specifically for the relief of victims in areas affected by the December 26, 2004 tsunami and be made to a qualified organization.

Note: Contributions earmarked for the relief of a particular individual or family cannot be deducted.

Taxpayers who have a specific charity in mind can make sure it is a qualified organization by visiting www.irs.gov. Another government site, USAID, lists additional qualified organizations, such as churches or governments: http://www.usaid.gov/locations/asia_near_east/tsunami/ngolist.html.

The cash contributions must be made by January 31, 2004.

For additional information:

See www.irs.gov/individuals/article/0,,id=111807,00.html: Partner Products and Volunteer Resource Center: Tsunami Relief Contributions Deductible for 2004

Visit www.irs.gov; keyword: Community Network – scroll to and click on Partnering Opportunities and Resources for National and Local Organizations; scroll to and click on Partner Products and Volunteer Resource

Publication 17, Chapter 25 – Contributions

Publication 678, Lesson 5, Standard & Itemized Deductions & Tax Computation
(Pages 5-11 thru 5-13)

Publication 526, Charitable Contributions

Publication 3833, Disaster Relief: Providing Assistance through Charitable Organizations